

Stimulating an Enterprise Culture in the UK - Future Challenges

The Rt. Hon. John Hutton MP, Secretary of State for Business, Enterprise & Regulatory Reform

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Good morning. I'm pleased to be here at the start of Enterprise Week – a week, I hope, of helpful and inspiring activities involving young people in schools, colleges and universities in every part of the UK. And a significant part of the Enterprise landscape.

In what's becoming an increasingly complex world, a nation's success depends on its people having the chance to develop their potential absolutely to the full.

Whether as skilled employees delivering innovative products and services, entrepreneurs setting up businesses or individuals driving forward social enterprise.

Since 1997, we have tried to work hard to ensure the right conditions for British enterprise. Developing a strong economy, increasing productivity and helping record numbers of businesses to survive and to succeed.

OECD, as many of you will know, states the UK has the lowest barriers to entrepreneurship of all OECD countries. The World Bank ranks us as one of the best places to do business. But we shouldn't be complacent.

UK aspirations are rising. The proportion of the working age population expecting to start a business in the next 3 years has increased by 70 percent since 2002. The number of 16 – 24 year olds considering or planning to become entrepreneurs grew by over 20 percent between 2003 and 2005.

We have ideas, we have fantastically talented people. But we still lag behind the US, who I think is the world leader on enterprise - in terms of ambition and business growth.

The challenge for Government and the country, as a whole, is how we close this gap.

I and my Ministerial team are meeting and talking with business leaders and entrepreneurs across the country – to hear what they think needs to be done.

Their views and ideas will shape our Enterprise Strategy to be published in spring 2008. This new framework will build, I hope, on our past success and help prepare for an enterprising future.

Our Enterprise White Paper will set out our more detailed proposals to help everyone in the UK fulfil their ambitions.

We have three key challenges: delivering conditions for business success; tackling enterprise gaps that exist between certain groups and regions and finally boosting the prospects for small businesses to grow.

So what have business owners and entrepreneurs told us so far? Five clear themes are emerging:

- The need for good, accessible information that's tailored to business needs;
- The demand for proportionate regulation, particularly true around employment law;
- Easier access to finance;
- The huge benefits of peer to peer mentoring when you are just starting out and finding ways to succeed; and
- The importance of inspiring the next generation of entrepreneurs.

My department is trying to focus work in Government on all of these issues.

The improved Business Link service helps businesses identify their requirements. And

through its advisers, national helpline and award-winning website, businesslink.gov, brings together information from a range of expert sources. Providing clear, straightforward advice.

We're simplifying and reducing the regulatory relationship with business. Delivering a 25% cut to administrative burdens by 2010 – worth £2 billion to our economy. Something no previous Government has tried to do.

Almost 80% of small businesses seeking finance obtain it on their first attempt, but a small number still face difficulties. Particularly companies seeking investment to grow.

And Government is working to address these failures, and we think they are failures, in our finance market. Our Small Firms Loan Guarantee Scheme helps businesses with viable business plans that lack collateral to access debt finance.

Since 1997 over 40,000 businesses have been able to borrow around £2.5 billion that would not otherwise have been available to them.

Enterprise Capital Funds also help SMEs with high growth potential to raise equity finance up to £2 million, through a combination of private and public money. We committed £82m to Enterprise Capital Funds during the Pathfinder round launched in 2006.

And today I am pleased to announce that, under the second round, I have given ECF status to three new venture capital funds.

These are MMC Ventures Ltd - who will invest in the healthcare, technology and financial services sectors. The Dawn Capital Fund – who will focus on traditional sectors where there is scope to make improvements through technology. And Oxford Technology ECF - who will invest in early stage companies in the science, engineering and technology sectors.

This brings the total Government commitment to this funding to over £141 million.

These funds are only part of our equity programmes. Since 1997 we have provided over £227 million of funding, matched by £390 million from private sources.

I am also announcing today my intention to transfer the management of these funds to Capital for Enterprise Ltd with effect from 1st April next year. This will help ensure the even more effective and sustainable delivery, I hope, of the Government's SME venture capital programmes.

However, many small businesses don't know what finance is right for them or sometimes how to obtain it. We're tackling this through the Business Link service and the development of its "No Nonsense Guides."

The majority of small businesses in the UK say they have no ambitions to grow at all. We've got to persuade them growth is an opportunity and not just a hassle.

Our new Enterprise strategy, I hope, will drive this work further, better focusing our efforts for maximum impact.

No-one should feel they can't get involved in enterprise. No region of the UK should be left out. As part of our consultation with business, we will be talking to people from groups currently under-represented in enterprise – to get their views on addressing the challenges ahead.

We have made progress, but there's still a significant enterprise gap between the most and least deprived parts of the UK. Men remain almost twice as likely to start businesses as women. The conversion of high aspirations amongst ethnic minority groups remains unaccountably low.

These are missed opportunities.

Matching the highest rates of UK business activity in our deprived areas, would create well over 300,000 new businesses and over 1 million new jobs.

This is why – in part – the Government, with my Department's support, launched the Local Enterprise Growth Initiative (LEGI). An economic tool to help us tackle disadvantage and deprivation and transform our most deprived communities.

29 Local Authorities have already benefited.

It's prompted further government thinking and we will be seeking to build on it, following the CSR announcement of a proposed new enterprise and renewal fund.

This funding is in addition to the £181m investment portfolio of the Community Development Institutions that support businesses excluded from mainstream finance.

And we are actually seeing really good results. Earlier this month North Staffordshire Regeneration Zone was named winner of our Enterprising Britain Award, and along with runner up – The Paper Trail Apsley – will represent the UK in the European Enterprise Awards.

North Staffordshire Regeneration Zone has turned a part of the country with the lowest business start-ups into an enterprise hub – helping to create more than 1,000 new jobs and 21 sustainable social enterprises. It's given young people the opportunity to run a real business. This is a brilliant achievement - that if matched in every disadvantaged region would have a massive impact.

Hitting US levels of female entrepreneurship would create approximately 700,000 more businesses in the UK.

The Task Force on Women's Enterprise advises UK Government, Regional Development Agencies and the private sector on how to identify and overcome the barriers to women creating and growing businesses. They're also raising the profile of enterprise for women across the country, with support from a new national network of female entrepreneur ambassadors.

Online mentoring, support and training is also available to women graduates through the National Council for Graduate Entrepreneurship.

The 300,000 ethnic minority SMEs in the UK, contribute an estimated £20 billion to our economy each year. Raising the self-employment rates amongst these groups could potentially generate billions more.

The Ethnic Minority Business Task Force aims to boost the economic participation of ethnic minority entrepreneurs. One of its key activities will be to investigate the barriers ethnic minority businesses face accessing finance.

I'm delighted to say that Yorkshire Forward is hosting the very first meeting of the Task Force today.

Enterprise Insight is also putting together a team of business champions and ambassadors to act as role models for young people in our ethnic minority communities.

We're piloting Centres of Vocational Excellence for Enterprise to bridge the gap between enterprise learning in schools and universities.

We're embedding enterprise across the school curriculum and making sure strong partnerships exist between schools, colleges, higher education institutes and business.

Young people need to see and experience the real-life impacts of a can-do attitude. They need to hear more about people like them that have made it.

People such as Beth Goddard who runs More! Productions and Riaz Agha who started Rich Media House – a digital media agency.

Here too some of this work is having an impact. Recent studies show a 22% increase in the number of young people that intend to start a business, and a 33% rise in those designing or making their own products for sale.

The National Council for Graduate Entrepreneurship report on the level of Higher Education student engagement in enterprise published today found that 10% of university students are currently engaged in enterprise either as part of their courses or as extracurricular activity.

And we will continue to work with the Council, the Higher Education sector, business and other partners to address the challenges raised in the report to help this figure increase.

Our young entrepreneurs face new and daunting challenges: adapting to better, faster technology; living, as we all do, with the threat of climate change and other world issues; and processing the information explosion.

All these factors shape the attitudes and ethics of this generation. Our job as older people is to enable them to spot opportunities and seize the initiative. We must help you respond to the challenges you face.

More young entrepreneurs want to look beyond the balance sheet.

UK social enterprises already contribute £8.4bn per year to our GDP. And we are improving the support available to them through our business support programmes.

The new Enterprise Strategy will embed the principles of social enterprise, complementing the Social Enterprise Action Plan. The plan works to foster an environment in which social enterprise can thrive.

I personally think this is an area ripe for future growth. Social Enterprise day later this week aims to raise the profile of this work and help kick-start the change we need to see.

So finally today, I want to thank the organisers, supporters and sponsors of Enterprise Week, especially the young people taking part in thousands of activities across the country.

More people with a strong entrepreneurial spirit will help to ensure our economic and social success. They will help energise businesses and build, hopefully stronger, cohesive communities.

Making their mark and building a better future for themselves and this country.

Thank you.

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